PRE-
NOT FINAL

COMMODORE 1983 ANNUAL REPORT — LAYOUT AND CONTENTS

commodore

1983 Annual Report   Production Schedule

Preliminary Production Schedule
1983 Annual Report

DATE	ACTION
Tues 30 Aug	Finalize Copy/Text
Wed 31 Aug	Final Photo Selection
New York Leave 7am	Financial Charts
	Finalize "Comp" Layout from Designer *Gould, Greenbg. St. + Tramiel.*
Thurs 1 Sept *W.CH.*	Begin Typesetting *Tramiel*
Wed 7 Sept	Receive Galleys/Make Corrections
Thurs 8 Sept	Final Galleys to Designer
Thurs 15 Sept	Final Mechanicals
Tues 20 Sept	Proof From Printer
Wed 21 Sept	Start Printing
Mon 2 Oct	First Printed Samples
Fri 6 Oct	Printed Quantity

Corporate Statement	Financial Highlights
Contents	3 CHARTS

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(HISTORY) OUR FIRST QUARTER CENTURY...	MEANING OF VERTICAL INTEGRATION

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FINANCIAL HIGHLIGHTS
(000s omitted, except per share amounts)

Year Ended 30 June	1983	1982	1981	% Change 1983 vs 1982
Net Sales	$ 681,200	$ 304,500	$ 186,500	+124%
Gross Profit Margin	47.1%	47.8%	44.4%	
Pre-tax Margin	16.6%	16.7%	16.5%	
Net Income (1)	$ 88,000	$ 40,600	$ 24,900	+117%
Shareholders' Equity	$ 190,700	$ 105,900	$ 61,600	+80%
Earnings Per Share (1) (2)	$ 2.86	$ 1.32	$ .81	+117%
Average Shares Outstanding (2)	30,809	30,800	30,920	

Quarterly Earnings Per Share (1) (2)

	1983	1982	1981	
1st Quarter (30 September)	$ .44	$ .24	$ .15	
2nd Quarter (31 December)	.74	.30	.19	
3rd Quarter (31 March)	.81	.35	.22	
4th Quarter (30 June)	.87	.43	.25	
Total	$ 2.86	$ 1.32	$ .81	

(1) Excludes extraordinary items.
(2) Share data adjusted for all stock splits.

1983 FINANCIAL REPORT

TO OUR SHAREHOLDERS:

It is significant that Commodore achieved record results in a year when many microcomputer companies faltered. The reason is simple: Commodore is the only vertically-integrated company whose primary business is microcomputers.

Vertical integration gives us the depth and balance essential to our marketing goal, which is to design and manufacture microcomputer products "for the masses, not the classes." This means manufacturing in high volume and passing the reduced costs on to our customers. Developed and refined over a quarter century of enterprise small and large, this is uniquely the Commodore Philosophy. The results speak for themselves.

Another Record Year

The fiscal year ended June 30, 1983 was our sixth consecutive record year.

Sales for the year reached $681,179,000, an increase of 127% over fiscal 1982 revenues of $304,508. Net income before extraordinary item rose 117% to $88,040,000 compared to last year's record profits before extraordinary items of $40,626,000. On a per share basis, this is equivalent to $2.86 a share, versus $1.32 in fiscal 1982. All results have been restated to reflect the 2 for 1 stock split which

occurred in May, 1983.

Computer Systems Sales

This year, Commodore became the world's leading microcomputer company, with a larger installed base of microcomputers and owner/population than any other manufacturer. We're proud to be in the leadership position.

Worldwide, fiscal 1983 microcomputer sales rose to a record $_____ or ___% higher than last year's $228,200,000.

Microcomputer systems accounted for ___% of overall   - Commodore sales, compared to 75% in fiscal 1982 and 71% in fiscal 1981. ___% of microcomputer sales came from the major United States market, with the remaining ___% coming from Europe and other non-U.S. markets.

We attribute most of this growth to continuing and accelerating strength in Commodore's complete microcomputer product line, including extremely strong demand for the Commodore 64 personal computer in the United States and Canada, Europe, and Southeast Asia/Australia.

Semiconductor Operations

As we predicted in last year's annual report, Commodore's semiconductor resources were used primarily in our own microcomputers, peripherals and software cartridges during fiscal 1983.

To keep pace with the continuing demand for Commodore microcomputer products, we doubled our semiconductor production capacity and expect to double capacity again in fiscal 1984. Monthly production capacity of silicon wafers has been increased to _____ from _____ last year.

It is estimated that Commodore's semiconductor division is now the fifth largest captive semiconductor operation in our industry.

Office Equipment

Office equipment and other consumer products contributed $__ __,___,___ or ___% of Commodore's fiscal 1983 revenues, compared to $16,500,000 in fiscal 1982. Commodore's Office Products Division continues to be the leading office equipment manufacturer in Canada. The division produces a variety of products including housings for Commodore computers and affordable computer furniture.

Commodore Software

In 1983 we made the decision to become actively involved in the software marketplace. Our goal is to develop and license high quality software for our microcomputer systems, within the structure of a formal profit center. In June 1983, we announced more than 70 new products for the COMMODORE 64 and VIC-20 computers. We believe our increased software emphasis will ensure balanced growth in the coming years.

Positioning for Growth

This year we took a variety of important steps to position ourselves for growth in fiscal 1984 and beyond.
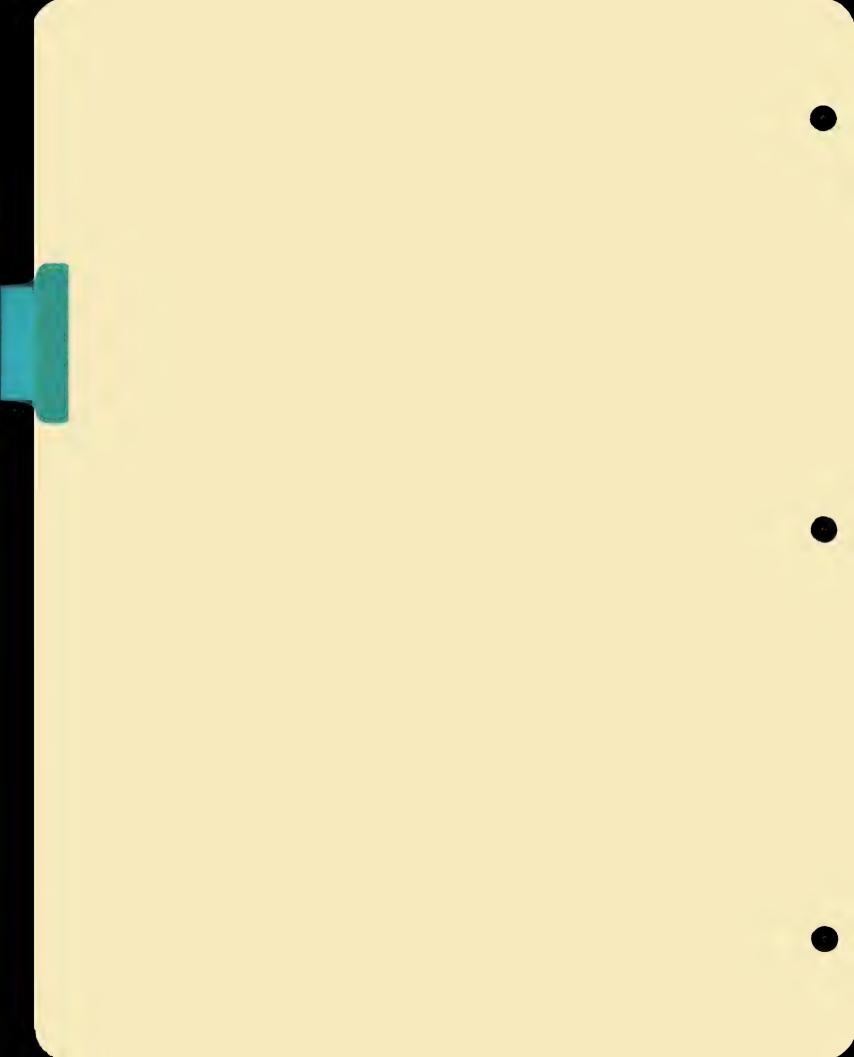
Here are just a few examples: We expanded our manufacturing centers in the United States and established new manufacturing facilities in Hong Kong, the United Kingdom and Canada. We increased total worldwide manufacturing capacity from _____ square feet to _____ square feet. We negotiated a joint venture with Mitsumi Electric Company in Japan to design and produce floppy disk drives. We increased semiconductor wafer capacity from _____ _____ to _____ per month. We acquired dynamic RAM technology from Micron Technology, Inc. to help further integrate our semiconductor manufacturing. We licensed the Z8000 16-bit microprocessor from Zilog for use in future

generations of computers. We licensed the MS/DOS operating
system from Microsoft, Inc. and the CP/M, CP/M 86 and CCP/M
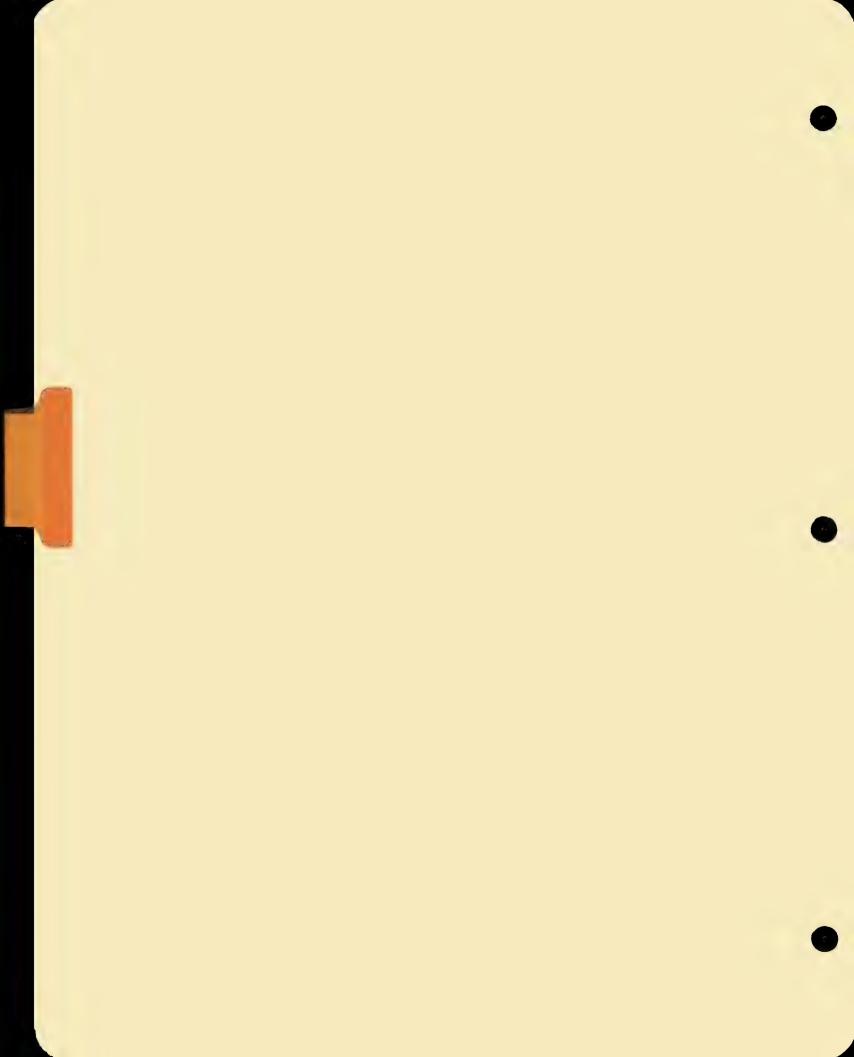operating systems from Digital Research.   And more.

Continuing the Commodore Philosophy in 1984

It is significant that our 25th year in business was devoted
to preparation for the future.   The computer industry
continues to grow and change rapidly -- as it always has.
We believe that Commodore is properly positioned to exploit
the opportunity, both at hand, and on the horizon. Commodore
has succeeded because we encourage entrepreneurs to join the
company and develop their ideas. We undertake research in
many parts of the world, simultaneously. We pride ourselves
on our ability to cut costs -- treating company budgets as if
"every penny were our own", keeping our staffing lean and our
managers close to operations so decisions can be made
quickly, eliminating red tape and bureauocracy so we can
"turn on a dime" as our industry demands...while at the same
time building a solid structure and foundation to support our
growing worldwide organization.

        We invite you to share in our progress.

COMING SOON

...THE MEANING OF VERTICAL INTEGRATION

The Past

New 1pg section coming!

In 1975 Commodore was one of the leading
manufacturer/distributors of digital electronic calculators.
That year, the major supplier of calculator chips went into
competition against its own customers -- including Commodore
-- and the cost of calculator chips plummeted from $12 each
to less than $1.

Commodore was left standing with over $6 million of
overpriced inventory.

The lesson was clear. Vertically-integrated companies
win marketing wars. Non-integrated companies can't react
quickly enough to changes in pricing and marketing trends.

By the end of 1975, Commodore acquired Optical Diodes,
Inc., which had been the company's principal supplier of
Light Emitting Diodes (LED's) used in calculator and digital
watch displays. In 1976, a Liquid Crystal Display (LCD)
facility was added, with LCD's eventually overtaking and
replacing LED's as the principal technology used in watches
and calculators.

In 1976, Commodore purchased MOS Technology, a
struggling manufacturer of semiconductor devices whose

products included the 6502 microprocessor, and used the 6502
to design the first self-contained personal computer: the PET
(Personal Electronic Transactor) and in 1977 we purchased
Frontier Manufacturing Corporation to produce low-power C-MOS
chips used in LCD calculators and watches.

By 1977, Jack Tramiel wrote in the Annual Report: "...we
are graduate survivors; we have survived and made money where
other, often better-financed, companies have fallen by the
wayside. Today we are a profitable and growing company."

The Present

Today, Commodore is the leading manufacturer of
microcomputers in the world. Our business has kept pace with
the evolution of technology as our primary product lines
changed from typewriters and adding machines, to calculators
and watches, to computers and peripherals.

We have made tremendous progress in the past
half-decade, but our vertical integration is not complete.
The process of integrating new technologies and manufacturing
capabilities is a continuing effort which is dictated by the
world manufacturing environment, and the world marketplace.
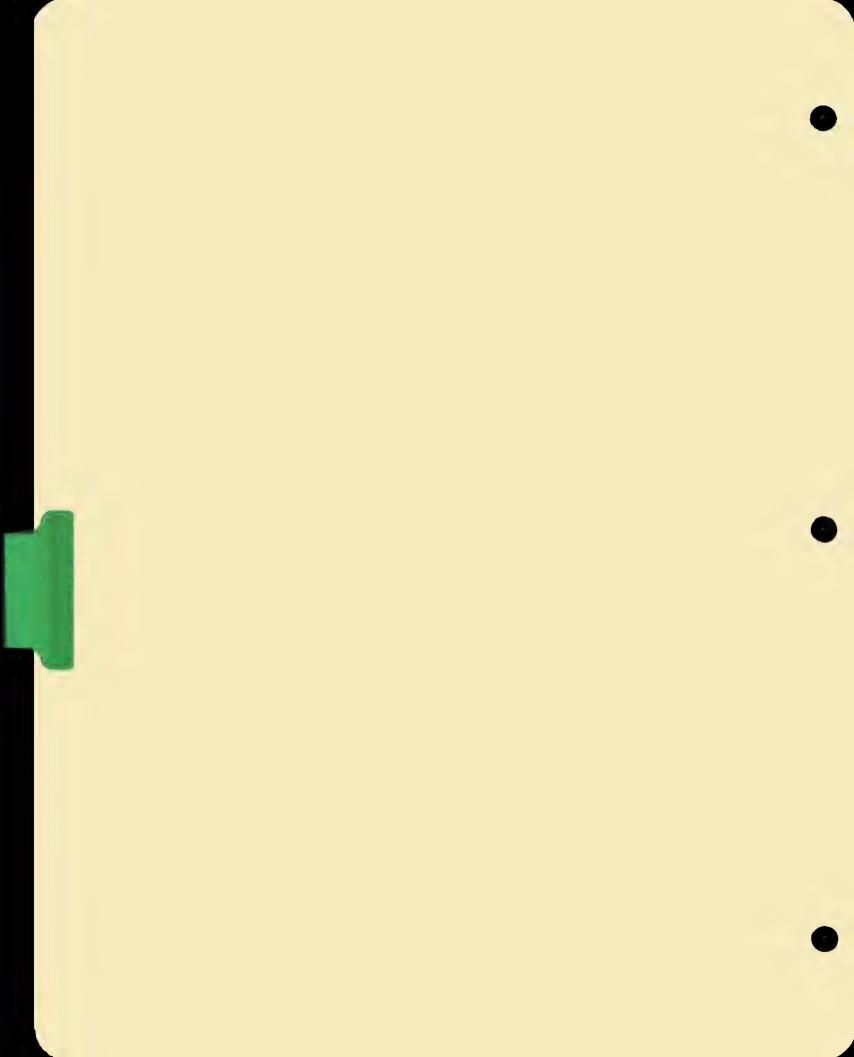As one example,
                    we added a 64K RAM manufacturing capability
at our Costa Mesa semiconductor plant, in response to a
developing shortage of RAMs. This will help ensure our

source of supply in the coming years.

Another example is our joint venture with Mitsumi Electric Company in Japan, which will give us the capability of producing our own disk drives in large quantities at low costs so we can reach our eventual goal of selling a disk drive with every computer, and keep pace with new developments in disk storage technology.

Our existing vertical operations continue to evolve as well. Just as we moved from LED displays to LCD displays, we are graduating from NMOS semiconductor technology to HMOS; resulting in more economical chip production, higher yields per wafer, lower component counts in current products, and more powerful chips to drive future generations of computers.

The lessons, benefits, and results of vertical integration continue to strengthen our company.

124 lins

RESEARCH AND DEVELOPMENT

36

Commodore's investment in research and development rose to $
___.___ or ___.___% of sales, from $17.9 million or 5.9% of sales
in Fiscal 1982 and $8.4 million or 4.5% of sales in 1981.

These expenditures provide the basis for Commodore's
growth as a technology leader in the microcomputer industry,
and allow us to take maximum advantage of the various
technologies -- semiconductors, computer systems, liquid
crystal displays -- which exist within our company.

Commodore's decentralized research organization promotes
the development of individual projects in many centers around
the world, where the best minds in our industry are
encouraged to work -- often simultaneously -- on parallel
projects. The ability to develop new and innovative
semiconductor devices at the same time the computer systems
are being designed reduces not only development costs, but
also the time it takes to complete and introduce a product --
crucial factors in our industry.

Semiconductor Chip Design

40

Major research was undertaken in fiscal 1983 to develop a new
family of "HMOS" chips which provide higher density, tighter
geometry chips.

The HMOS process is a higher yielding manufacturing process which provides improved functional density on each "wafer" of silicon. This allows us to manufacture more chips per "wafer", with resulting increases in production, and cost economies. The new chips are also designed to reduce the overall component count of computer systems, by up to half their previous number.

Specifically, chips designed during Fiscal 1983 include:

- 7360 graphics display chip

- 7380 sound chip

- 7501 microprocessor (variation of 6502)

- 7567 color video controller

- 7700 PLA

- 7704 composite I/O

- 7701/02 clock/PLA chips

These new chip designs, coupled with recent increases in memory density, will allow Commodore to produce new generations of computers which will provide more computing power at less cost.

Operating Systems Software

During the past year, much attention was devoted to

providing MS/DOS (tm), CP/M (tm), Concurrent CP/M 86 (tm) and
CP/M 86 operating systems on our computers...primarily for
the "B" Series. These operating systems coupled with an 8088
microprocessor board allows the user of "industry standard"
applications software packages such as WORDSTAR (tm),
CALCSTAR (tm) and MAILMERGE (tm). We also designed and are
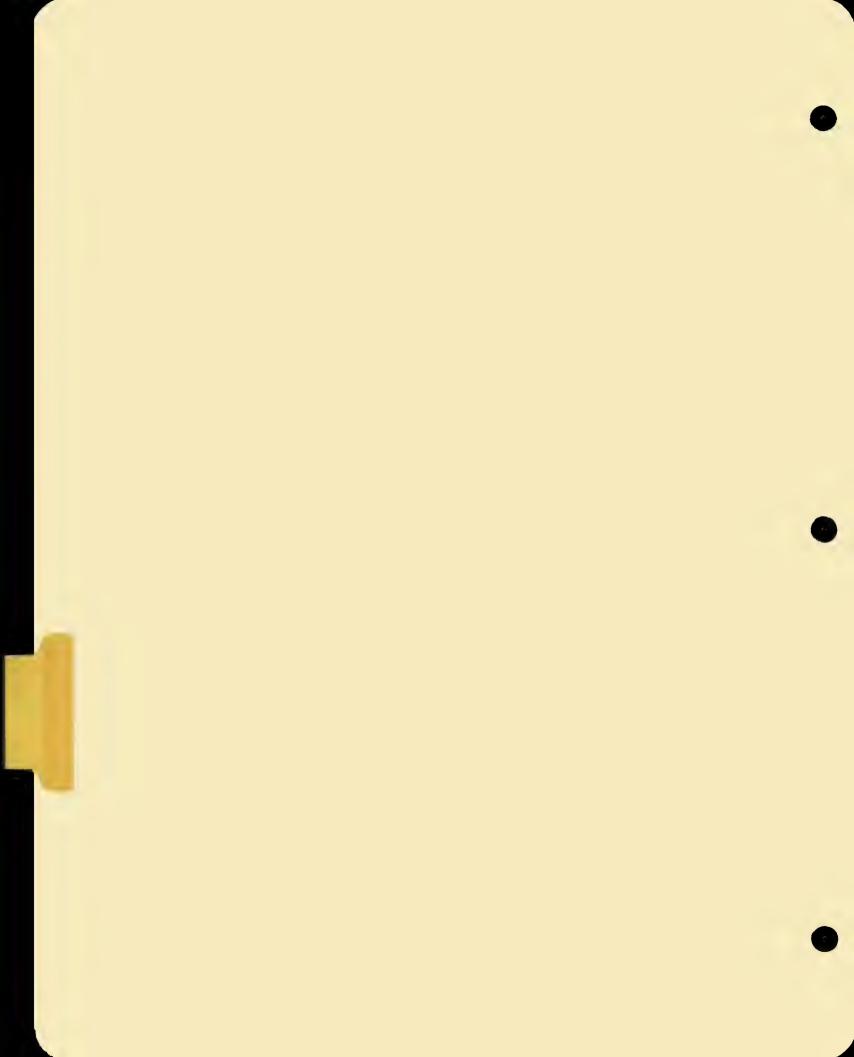now selling a CP/M (tm) cartridge for use with the COMMODORE
64.

Research Becoming Products

Many of the developments which were research projects last
year became products in 1983. The "B" Series business
computer is one example. The SX-64 color portable computer
is another. Several new printers have been introduced,
including the MPP-1361 business printer, 1526 serial printer
and 6400 letter quality printer. The 1701/1702 color monitor
was especially designed for use with Commodore home
computers, to provide the best possible picture with our
computers. The Speech Technology Division has completed its
first speech product, a speech synthesis module called "The
Magic Voice (tm)".

Under Development

We are currently developing a system which will use the 16-bit Z8000 microprocessor chip licensed from Zilog. We're also in final engineering on our piano keyboard and "Digi-Drum (tm)" digital electronic drum accessory (for the COMMODORE 64).

MANUFACTURING

Commodore reduces production costs by concentrating
labor-intensive production in low labor cost countries.
Final assembly and test occurs in geographic market centers
where the products are sold and distributed, allowing us to
tailor the products to the requirements of each market.

Commodore's primary manufacturing center is located in
Hong Kong, where we employ more than 1,000 people to handle
highly technical labor-intensive operations. Final assembly
of microcomputer products is provided at manufacturing
facilities located throughout the world. Specific locations
are shown on the map on Page 16.

Expanding to Meet Demand

This year, Commodore's vertical integration helped minimize
the effects of worldwide parts shortages caused by an
increased demand for microcomputer systems, a by-product of
the strong general economic recovery.

To keep up with our rising internal demand for
components, we doubled our semiconductor production for the
second consecutive year.

We achieved high volume production of microcomputer
components in Costa Mesa, spurred by output from the

ultra-modern 5-inch wafer processing plant constructed in
Fiscal 1982. Semiconductor volume at both Costa Mesa and
Valley Forge will continue to grow during FY 1984 due to new
chip and wafer designs, higher efficiency and increased
production capacity.

Most significant, we have acquired important new
technology which enables us for the first time to manufacture
64K dynamic RAM (Random Access Memory) devices. Our
agreement with Micron Technology, Inc. of Boise, Idaho
enables us to begin limited RAM production at our Costa Mesa
facility in the second fiscal quarter, with high volume
expected during the third and fourth quarters.

In keeping with a "systems approach" to the marketplace,
we have increased our ability to produce in volume such
peripherals as disk drives, printers and Datassettes.
Especially important is our joint venture with Mitsumi in
Japan, which provides for the manufacture of 5 1/4 inch and 3
1/2 inch floppy disk drives in the future.

This year, we will also receive significant cost savings
by centralizing our software packaging in Hong Kong.
Individual countries will handle pilot production only.
Translating these lower costs into lower prices gives us an
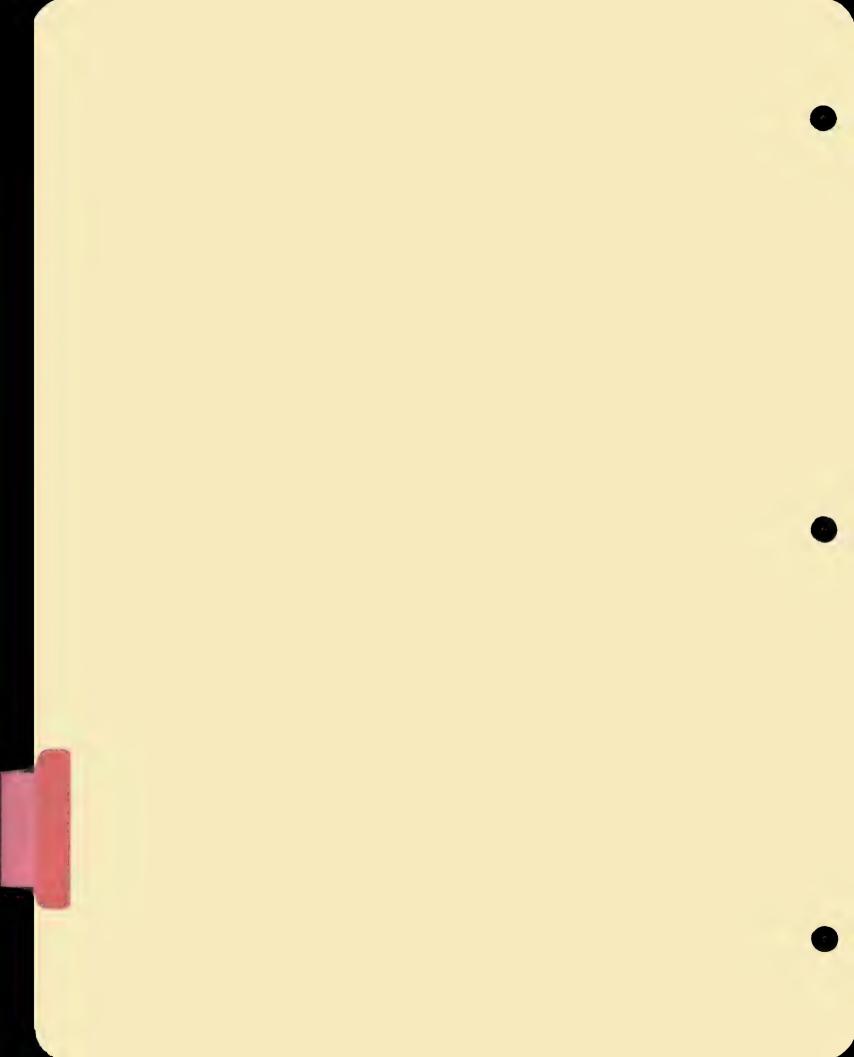important competitive edge.

Facilities Expansion

To increase our capacity to manufacture both hardware and software, we have undertaken the following major expansion activities:

To increase our manufacturing capacity, we have undertaken the following expansion activities:

- Purchased a new 210,000 square foot plant in (the "Kwai Chung Center") in Hong Kong, which will more than double our production capability during FY 1984.

- Occupied a new 575,000 square foot combined administrative, plant and warehouse facility in West Chester, Pennsylvania.

- Initiated design and construction of a major manufacturing and warehousing complex in Corby, England, which will be operational by the end of Fiscal 1984.

These facilities enable us to meet increased demand for our products, now and in the future.

[handwritten notes: "182 lines" "÷9=21 ÷5=36"]

[handwritten: "% OF SALES FY1983"] *[hand-drawn pie chart labeled: Softw, periph, telec., CPU, Books + MAG]* *[handwritten: "% OF SALES PROJECTED FY84"]* *[hand-drawn circle]*

A SYSTEMS APPROACH

Peripherals, software and accessories accounted for approximately XX% of total sales in Fiscal 1983. We believe we've only scratched the surface and have launched a major expansion effort in these areas.

The opportunity is clear. We've successfully established a large installed base of computers which continues to expand. The price/performance of our peripherals is unmatched in our industry. We have a strong new software product line. And we are committed to selling systems to new customers as well as aftermarket purchasers in all market categories: home and personal, education and business.

Affordable Home Computer Systems

Commodore computers are in more homes than any other brand. More than 1 million VIC-20's have been sold, and the COMMODORE 64 is rapidly moving toward that level.

In fiscal 1983, most people who purchased home computers thought of the computer as a stand-alone console coupled with an inexpensive tape recorder for storing and retrieving programs. VIC-20 and COMMODORE 64 owners listed their

primary computing interests as entertainment and learning how to program. Our best-selling software included games like Bally Midway's "GORF" and "OMEGA RACE" and self-teaching courses in BASIC programming like INTRODUCTION TO BASIC and GORTEK.

By the end of fiscal 1983, the price of a VIC-20 or COMMODORE 64 computer **system** -- computer, disk drive or cassette recorder, printer, modem and software -- had fallen to under $1000 (U.S.). For the first time in history, average consumers could afford to purchase a complete computer system.

The affordability of home systems has opened the door to more practical applications -- wordprocessing, electronic spreadsheets, budgeting, home business and more. Home computers are becoming more useful, and Commodore is helping to make it happen.

Educational Systems

It is estimated that more Commodore computers are used worldwide for educational purposes than any other microcomputers.

In the United States, the United Kingdom and Canada, Commodore has been a leader in educational computing for more than half a decade. In many countries, Commodore computers

are preferred systems...in West Germany, for example,
Commodore microcomputers now represent more than 80% of all
microcomputers used in schools.

This year, we started selling the PET 64 -- a black and
white version of the COMMODORE 64 in a self-contained
housing. We also successfully tested a low-cost networking
system which can tie together all types of Commodore
computers including the PET, VIC-20 and COMMODORE 64. The
networking system lowers the cost of networking to less than
$50 per computer. This innovation will help increase sales
of multiple systems to educational institutions.

Business Systems

Business computing represents one of Commodore's most
promising expansion opportunities. We believe
competitively-priced business mircocomputers can be mass
marketed and made as attractive and "friendly" as home
computers -- but with the professional in mind.

Our new entry in the business marketplace -- the
Commodore "B" Series computer system -- has been completed
and is being sold in Europe and North America. The low-cost
128K version features an 80 column screen, an optional 16-bit
microprocessor and a 96-key professional level keyboard.
This powerful business microcomputer is being offered at

prices comparable to or below many personal computers.

To provide high capacity disk storage required in the business environment, our 9000-series Hard Disk and CBM8250 2 Megabyte floppy disk drive were introduced for sale this year, along with our new Model 6400 letter quality printer.

Portable Computing

One approach to selling microcomputer systems is portable computing. Portable computing is becoming very popular among executives, students and others who like to transport and use their computers in different locations. Commodore has entered the portable marketplace with our SX-64, the first affordable color portable computer. It is compatible with the COMMODORE 64 and has a built-in single disk drive and 5-inch color monitor.

Compatible Peripherals

We make two types of peripherals which are interchangeable with our various computers. "Serial" type peripherals such as the 1541 disk drive work with both the VIC-20 and COMMODORE 64. "IEEE-488" peripherals include business peripherals such as letter quality printers, dual floppy disk drives and hard disk drives, for use with our CBM and "B"

Series computers.

Compability of VIC-20 and COMMODORE 64 peripherals was intentional, so mass merchants, distributors and retailers could stock the same peripherals for both of our home computers...and so VIC-20 owners would be more inclined to trade up to a COMMODORE 64 if they had already purchased VIC-20 peripherals.

A very popular Commodore peripheral is the Commodore DATASSETTE (tm), which allows new computer owners to play inexpensive pre-packaged programs on tape, or save/retrieve their own programs on ordinary audio cassettes. This year we improved the design of the DATASSETTE.
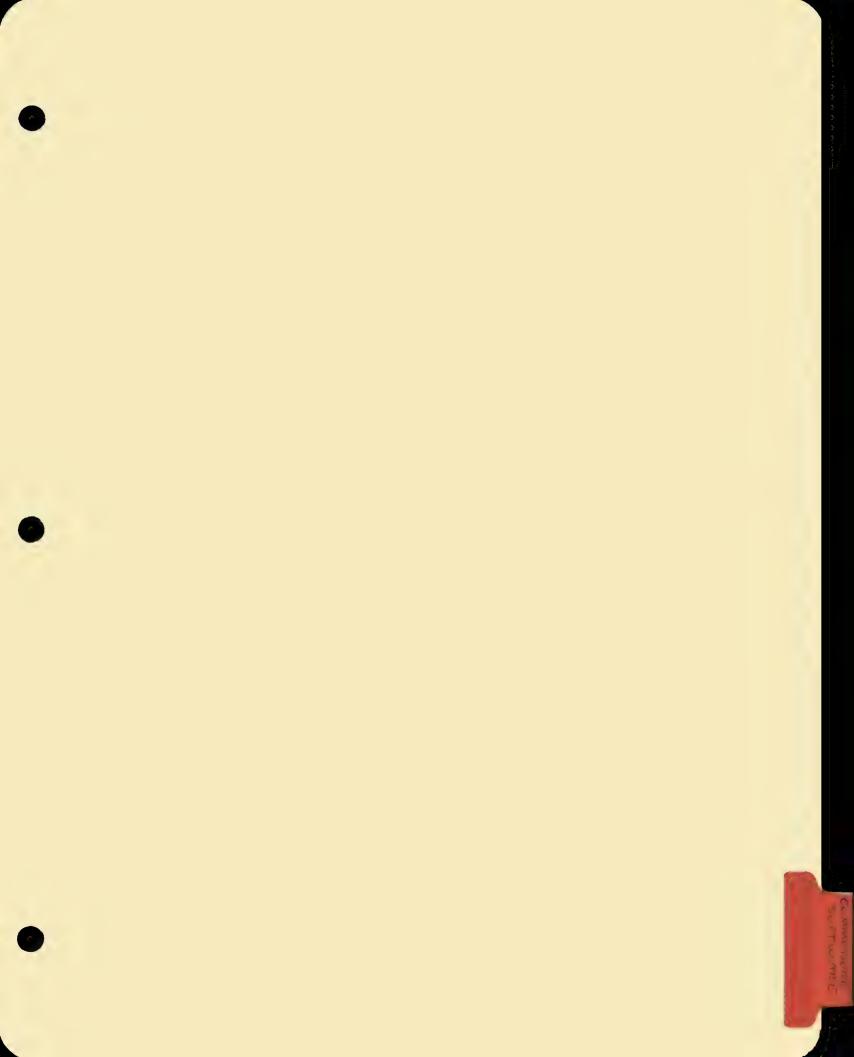
Telecommunications

Commodore was the first microcomputer manufacturer to introduce a telephone modem priced under $300. The VICMODEM(tm) consists of a plug-in cartridge which works with either the VIC-20 or COMMODORE 64 and is popular in North America where users take advantage of free subscriptions enclosed with the modem for the CompuServe (tm) and Dow Jones (tm) information services. A "Commodore Information Network" featuring news, programming tips and a "hotline" is maintained by Commodore, much like an electronic magazine, and Commodore computer owners can "talk" to each other long
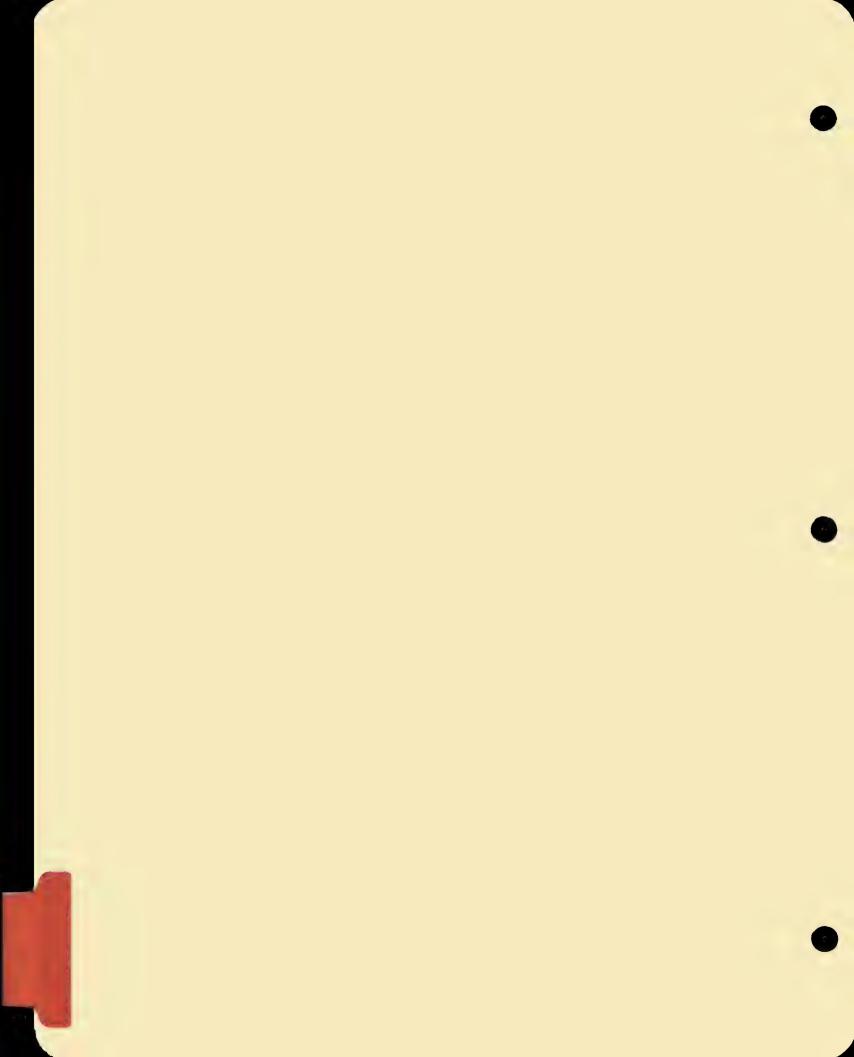
distance via their computer, or leave "electronic mail"

messages.

This year, Commodore introduced a low-priced

auto-dial/auto-answer modem called AUTOMODEM (tm) for the

COMMODORE 64 and VIC-20.

Market Strategy

Our strategy continues to unfold -- which is, to continue our

leadership role in the microcomputer industry, not only in

the home computing market, but in business and education as

well, and in new microcomputer markets as they evolve.

COMMODORE SOFTWARE

In keeping with our strategy to sell complete computer systems -- including software -- we have extended our vertical integration into the software business. Our existing software activities around the world are being strengthened and software is treated as a major business of our company.

A New Software Division

As the vanguard of this new business, we established a Commodore Software Division in West Chester, Pennsylvania in April 1983. This division supplements the activities of existing Commodore software groups outside the United States and is also tasked with providing a nucleus of software for new Commodore computers and peripherals, as they are introduced.

Nucleus Software

The "Nucleus Software" we intend to provide includes the key software needed to support a particular computer system. For example, the three types of software which every computer owner should have includes a wordprocessor, electronic spreadsheet and database. For a business computer the

wordprocessing and business accounting software in the $50
price range. To make this possible, the company has
transferred·volume software production from individual market
centers to our manufacturing facilities in Hong Kong. We are
also working with vendors and developers to obtain maximum
economies of scale.

MAGIC DESK - Next Generation of Software

One of the most impressive developments of the year was our
proprietary "MAGIC DESK" software. This unique software is
based on pictorial commands, with no language commands
whatsoever. Using a joystick, the user moves a pointing
finger to the picture of a feature, such as a typewriter,
then presses the "action" button. After typing a page on the
computer keyboard, the user can save the page in a "file
cabinet" which is automatically linked to the software, or
print the page on paper using a Commodore printer. If
questions arise, built-in "help menus" explain the procedure
in detail. More MAGIC DESK products are under development
and it is expected that this will be a highly popular series.
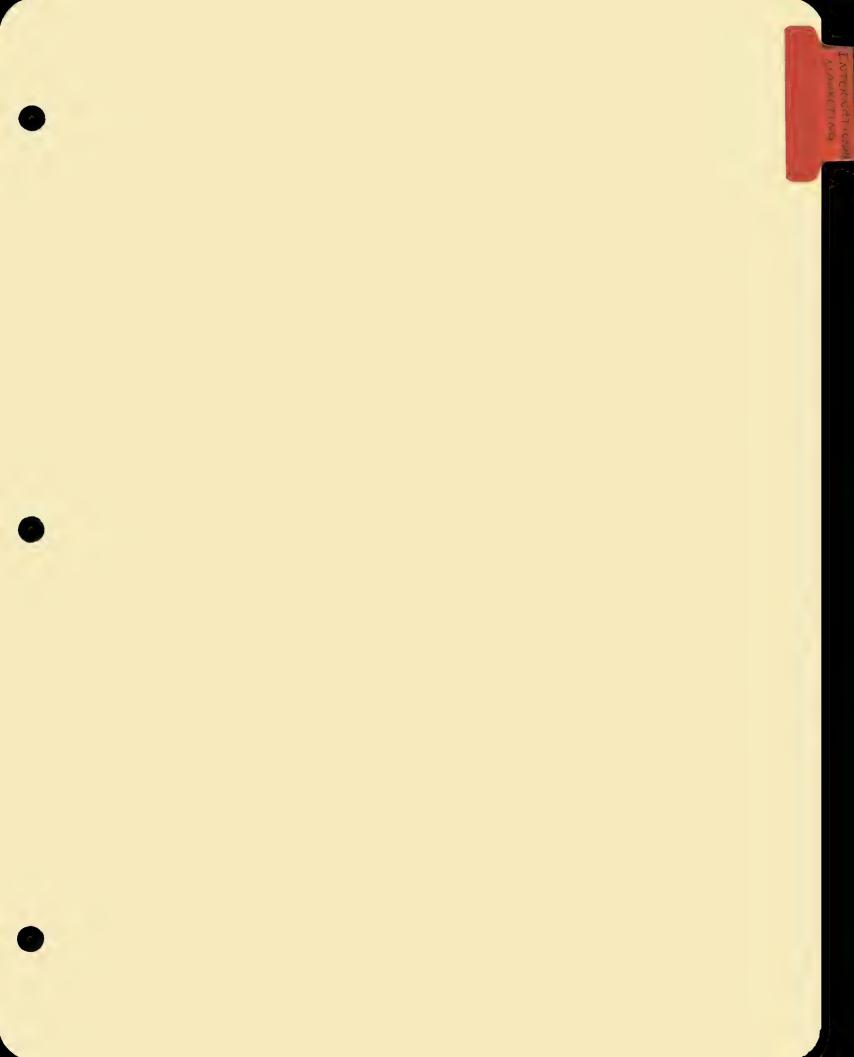
Commercial Book Products

We consider computer book products to be a form of software,
and are expanding this product line to take advantage of the

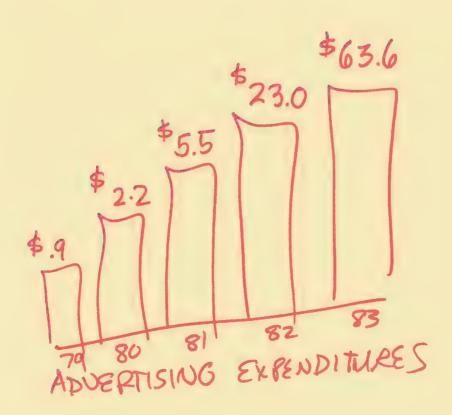strong aftermarket potential. Our popular VIC-20 and
COMMODORE 64 PROGRAMMERS REFERENCE GUIDES -- developed at
Commodore -- have been listed as "best-sellers", along with
our programming tutorials like GORTEK and INTRODUCTION TO
BASIC. During the coming year, we will introduce additional
commercial books and tutorials, including several
self-teaching products for the COMMODORE 64 and a·4-book set
for the VIC-20.

NEW COMMODORE 64 SOFTWARE

BUSINESS

EDUCATION

RECREAT

PROGAIDS

Origin	Title/Description	Category
Canada	THE MANAGER	Productivity
Sweden	EASYCALC 64 - Electronic Spreadsheet	Productivity
U.K.	EASYSCRIPT 64 - Wordprocessor	Productivity
U.K.	EASYSPELL 64 - 20,000 word spelling checker	Productivity
U.S.	MAGIC DESK I - Type and File	Productivity
U.S.	WORD/NAME MACHINE - Simple wordprocessor	Productivity
U.S.	EASYFINANCE I - Loans	Productivity
U.S.	EASYFINANCE II - Business Management	Productivity
U.S.	EASYFINANCE III - Investments	Productivity
U.S.	EASYFINANCE IV - Advanced Investments	Productivity
U.S.	EASYFINANCE V - Statistics	Productivity
U.S.	GENERAL LEDGER	Business
U.S.	ACCOUNTS RECEIVABLE/BILLING	Business
U.S.	ACCOUNTS PAYABLE/CHECKWRITING	Business
U.S.	PAYROLL	Business
U.S.	INVENTORY MANAGEMENT	Business
U.S.	MUSIC COMPOSER	Recreation
Canada	MUSIC MAKER	Recreation
Japan	AVENGER	Recreation
U.S.	BLUEPRINT	Recreation
Japan	CLOWNS	Recreation
U.S.	GORF (talking game)	Recreation
Japan	JUPITER LANDER	Recreation
Japan	KICKMAN (Bally-Midway)	Recreation
U.S.	LAZARIAN (Bally-Midway)	Recreation
U.S.	LEMANS	Recreation
U.S.	OMEGA RACE (Bally-Midway)	Recreation
U.S.	PINBALL SPECTACULAR	Recreation
U.S.	SEAWOLF (Bally-Midway)	Recreation
Japan	SPEED/BINGO MATH (Bally-Midway)	Recreation
U.S.	STAR RANGER	Recreation
U.S.	STAR POST	Recreation
U.S.	TOOTH INVADERS	Recreation
U.S.	WIZARD OF WOR (talking game)	Recreation
U.S.	ZORK I (Infocom)	Recreation
U.S.	ZORK II (Infocom)	Recreation
U.S.	ZORK III (Infocom)	Recreation
U.S.	DEADLINE (Infocom)	Recreation
U.S.	STARCROSS (Infocom)	Recreation
U.S.	SUSPENDED (Infocom)	Recreation
U.S.	LOGO	Education
U.S.	PILOT	Education
U.S.	NUMBER NABBER/SHAPE GRABBER	Education
U.S.	VISIBLE SOLAR SYSTEM	Education
Canada	WATERLOO BASIC	Education
Canada	27 PUBLIC DOMAIN PRODUCTS(over 600 programs)	Education
U.S.	SUPEREXPANDER 64	Programming
U.K.	SIMON'S BASIC	Programming

$63.6

$23.0

$5.5

$2.2

$.9

79   80   81   82   83

ADVERTISING EXPENDITURES

INTERNATIONAL MARKETING

No other microcomputer company has had the international marketing success achieved by Commodore.

Industry sources now rank Commodore as the number 1 personal computer company, with an estimated 37.9% share of the world market in units and 43% of sales for computers priced under $1,000.

For computers priced in the $1,000-$5,000 range we are ranked fourth in market share (8.7% of units) -- with our new "B" Series just beginning to enter the market.

The key to our success in marketing to customers and dealers in over __50__ countries lies in our emphasis on geographic marketing centers. Each major world market has either a Commodore sales company or distributor to serve it, staffed by talented people who understand the special needs of their cultural environment.

In addition to sales and marketing, we maintain software development, research, warehousing and distribution in each market center so we can better serve the linguistic, technical and cultural needs of the geographic area.

Record Advertising in 1983

Commodore spent more money for advertising in fiscal 1983 than in all previous 24 years combined. The worldwide

advertising budget was $___ million, compared to $___ million in the previous year.

This expenditure contributed to the dramatic increase in Commodore "brand recognition" -- and sales -- in all major markets.

Getting the Message Across

The messages we spent to promote were clever, competitive, and creative:

In the United States, where the bulk of our advertising was concentrated, we asked the question: "Why Buy Just A Game Machine When You Can Get A True Computer For The Same Price?" We urged customers to forsake video game machines and buy the "Commodore VIC-20 -- A Real Computer For the Price of a Toy."

The COMMODORE 64 was compared to other popular microcomputers...with an interesting twist. An ironic voice announced that based on price/performance, other computers such as Apple and IBM recommended the COMMODORE 64.

In Canada, we sang, "I Adore My 64" and families read about the VIC-20 on the back of over 3 million cereal boxes.

In West Germany, where the VIC-20 is called the "Volks Computer" (VC-20) _____

_____

_____.

In the United Kingdom _____

_____

_____

_____.

Commodore Magazines Read By 1 Million Readers

During the past year, Commodore became a leading publisher of
computer magazines. We now publish XX magazines worldwide
with monthly circulation exceeding a half million readers.
These magazines provide news, product announcements,
programming tips and commentary which helps us keep the
communication channels open to our growing aftermarket of
Commodore computer owners.

Shows and Exhibitions

Commodore was an active participant in the major
international computer shows, which we've been attending
since we introduced the PET in 1976.

At Hanover Fair in Hanover, West Germany -- the largest
industrial exposition in the world -- we received a design
award for the "B" Series business computer system.

At the June Consumer Electronics Show in Chicago -- we
received ♣ awards for COMMODORE 64 software selected for the
CES Software Exhibition.

In the United Kingdom, the annual Commodore Computer
Show (largest Commodore product exhibition in the world),
drew a record number of attendees and had more exhibitors
showing Commodore software and accessories than ever before.
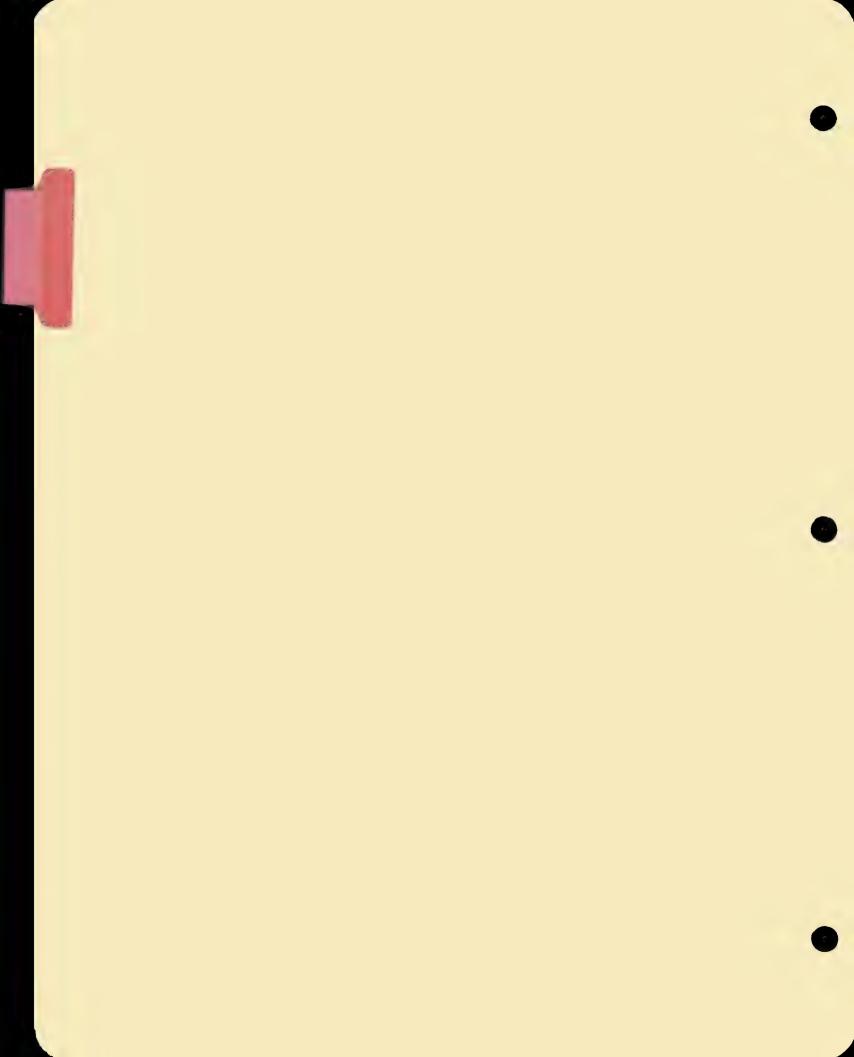
What's In A Name?

When we named our 64K color computer the "COMMODORE 64"
it was the first time we used the Commodore name as a product
name. The resulting brand recognition was so strong that we
will be using the COMMODORE designation in future home
computers, as well. We also named our new pictorial-command
software series the "Magic Desk" and extended the "magic"
name to our speech module, which is called the "Magic Voice"

and will be introducing a Commodore-written book called "The VIC Magician" based on a series of magazine articles.

Thinking International

Marketing ideas and approaches vary from country to country. Our success comes from "thinking" international. In Europe we're European. In Japan we're Japanese. In America we're American. In Hong Kong we're Chinese...and so on.

The depth and involvement of our activity in each country makes Commodore truly international, because we "think" and do business in the local languages and cultures of the customers we serve.

WORLDWIDE DISTRIBUTION

One of Commodore's principal strengths is its worldwide retail
distribution. Commodore started selling home computer
systems through mass merchandising channels in 1982...since
then, the number of outlets carrying Commodore computers rose
from less than 3,000 in 1981 to nearly 30,000 by the end of
fiscal 1983.

Commodore products are now distributed in more than __
countries.

Breaking open the mass distribution for home computers
is one of Commodore's most salient achievements. Within 18
months, Commodore placed its VIC-20 and COMMODORE 64 home
computers in discount stores, department stores, toy stores,
music stores, audio/video outlets, catalog showrooms,
bookstores, mail order catalogs and more. This aggressive
penetration of the mass merchandising distribution channel is
credited with turning home computers from hobbyist machines
into "electronic appliances".

Specific locations of Commodore companies, manufacturing
facilities and distributors are shown on the accompanying
map.

International Expansion

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In the United States, Commodore expanded its distribution from 8,000 outlets to nearly 20,000. U.S. distribution includes such well-known mass merchants as K-Mart, Target, J.C.Penney, Sears, Toys'R'Us, Child World, and Service Merchandise.

In the United Kingdom, Commodore computers are sold in such prestigious store chains as Boots and _____.

In Canada, Commodore computers outsold the competition in chains such as _____ and _____.

In Germany, the number of outlets carrying Commodore computers was extended from 500 to 6,000 during fiscal 1983.

During the past year, the number of dealers in Australia/Asia and the Pacific Basin grew to over 800 dealers, with distributors established in all major countries in East and Southeast Asia including: China, Taiwan, South Korea, Hong Kong, Thailand, Singapore, Malaysia, the Phillippines, Indonesia, New Zealand.

Additionally, Commodore entered negotiations to acquire 100% of a former joine venture in Denmark, Norway and Holland, and targeted the Benelux coountries for a major expansion effort. We also entered new markets such as Italy where we turned a profit in our first sales year.

Our penetration of the world marketplace continues, in keeping with Commodore's multinational orientation.

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commodore international historical society